

**MINUTES OF
CITY OF LAS VEGAS AUDIT OVERSIGHT COMMITTEE
City Hall - 8th Floor Conference Room
400 Stewart Avenue
Las Vegas, Nevada
City of Las Vegas Internet Address: <http://www.lasvegasnevadagov>**

**July 20, 2004
10:00 a.m.**

CALL TO ORDER: Chairman Kern called the meeting to order at 10:08 a.m. and announced that the Open Meeting Law had been met.

ATTENDANCE:

Present: Chairman Michael Kern
Councilman Larry Brown
Councilman Lawrence Weekly (excused until 10:17 a.m.)
Member Paul Workman
Member Jose Troncoso
Brad Jerbic, City Attorney
Radford Snelding, City Auditor
Philip Cheng, Senior Internal Auditor
Bryan Smith, Internal Auditor
Bonnie Mocek, Internal Auditor
Elizabeth Fretwell, Deputy City Manager (excused until 10:21 a.m.)
Steve Houchens, Deputy City Manager (excused until 11:16 a.m.)
Mark Vincent, Director of Finance & Business Services (acting for Deputy City Manager Steve Houchens until his arrival at 11:16 a.m. and then as the Director of Finance and Business Services)
Joseph Marcella, Director of Information Technologies
Barbara Jo (Roni) Ronemus, City Clerk
Vicky Darling, Assistant Deputy City Clerk

BUSINESS

1. Approval of the Final Minutes by reference of the Audit Oversight Committee Meeting of January 20, 2004

BROWN - Motion to approve – WORKMAN seconded the motion - UNANIMOUS with WEEKLY excused

(10:08)
1-7

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2. General Report by the City Auditor

Mr. Snelding advised that the Metro audit is on hold pending review of the consultant's study. Staff continues random, surprise audits of cash at various City locations and is utilizing audit software to identify anomalies that may indicate improper activities. Once identified, the anomaly will be investigated to determine if all unusual situations are explained satisfactorily. The development of a protocol to investigate unauthorized software, pictures, music files, etc. on city computers is ongoing. In conclusion, staff continues to provide technical support to the City Marshal's office on financial investigations.

Chairman Kern confirmed with Mr. Snelding that there is not a budget allocation for the technical support services being provided in conjunction with the adopted fraud policy and suggested that that should be considered during the next budget cycle. Mr. Vincent responded that the City is moving to performance-based budgeting as a long-term management tool. The intent is that the job activities will identify where resources need to go. That tool is not yet in place, but the City is working on it. Mr. Snelding added that his unscientific response to the demands on his office has been to dedicate one staff member for investigations and support of the City Marshal's office.

(10:10 – 10:14)

1-22

3. Discussion and possible action on Annual Audit Plan FY 2004-2005

Mr. Snelding explained that the audit plan for FY 2004-2005 identifies Performance Audits selected for the next Fiscal Year. All entities within the organization will be audited on the basis of: 1) risk exposure based on risk analysis; and 2) a fifteen year audit cycle. High risk entities are audited three times during the audit cycle, medium risk twice, and low risk once. This plan allows for substitutions based on Mayor and Council or Audit Committee requests. The audit plan allows for computer assistance on audits, follow-ups, investigations, cash counts and other miscellaneous activities. By approving this plan, the City Auditor's Office can initiate these audits without having to return to the Audit Committee to obtain authorization.

Member Workman expressed concerns that listing the audits proposed would put those to be audited on notice it was coming and that intervening need may require an audit be conducted outside of the proposed plan. Mr. Snelding replied that everyone is aware they will be audited, the plan may provide a general warning but the specific timing of the audit remains unknown. In addition, the plan can always be modified based on circumstances and the revised plan brought back to the Committee.

Councilman Brown discussed with Mr. Snelding that the 15-year cycle is roughly three times the norm for the private sector and other public entities, but is a result of staffing restrictions. Councilman Brown directed Mr. Snelding to report to the Committee at its next meeting on staffing issues. Given the critical function of the Auditor's Office and the potential efficiencies and savings it creates for the City, the 15-year cycle is unacceptable and an embarrassment. Chairman Kern concurred. Member Workman

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suggested the services provided to the City Marshal's office would provide ammunition.

Chairman Kern noted the hours dedicated to the bid process. Experience has shown that having significant audit involvement up front during the contract process is very beneficial. He then questioned Mr. Snelding on follow-up on external audit recommendations, particularly where internal and external audit findings conflict. Mr. Snelding outlined the process in his previous employment where a management letter was provided and used as the basis of follow-up on external audits.

WORKMAN - Motion to accept the plan subject to possible modifications in the future – BROWN seconded the motion – UNANIMOUS

(10:14 – 10:25)

1-174

4. Discussion and possible action on the Follow-up on Lock up Variance Report to Departments from 2001-2002 Annual Audit Recommendation Follow-up CAO 2600-0203-07

Mr. Snelding stated that Chairman Kern made an assignment at the October 21, 2003 Audit Committee meeting for a follow-up report identifying computer lock-ups caused by incorrectly logging on with an incorrect password. Mr. Marcella is available to report on that assignment.

Mr. Marcella explained that previously there was no reporting mechanism available and tracking that type of lock up information was burdensome. Since then the necessary software has been identified, providing a manageable solution for reporting anomalies and exceptions that fall within established parameters. The intent is to use the manufacturer's parameters and then adjust to fit the City's needs.

WORKMAN – Motion to accept the report – BROWN seconded the motion – UNANIMOUS

(10:25 – 10:28)

1-514

5. Discussion and possible action on Limiting Access from 2001-2002 Annual Audit Recommendation Follow-up CAO 2600-0203-07

Mr. Snelding advised that during the review of 2001-2002 Annual Audit Recommendation Follow-up CAO 2600-0203-07 at the October 21, 2003 Audit Committee meeting, Councilman Brown requested additional information regarding scheduling and use from the City Manager regarding limiting access to various city computer applications. Mr. Marcella is available to report on this.

Mr. Marcella reported that staff looked at off-shifts and exceptions that could not be assisted. Software known as Active Directory could assist in managing the situation and would be a better tool to assist an identified group rather than trying to control all 1,500 city computers involved. The administration would be based on where the work

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was being performed. This software was installed four weekends ago and is in testing. Mr. Snelding added that the intent is to implement by year end and suggested a follow-up report thereafter. Chairman Kern concurred.

BROWN - Motion to accept the report – WORKMAN seconded the motion – UNANIMOUS

(10:28 – 10:32)

1-606

6. Discussion and possible action on Equipment Lease Costs from Special Report: Comparison of Durango Hills and Veterans Memorial Leisure Service Centers CAO 1601-0304-02

Mr. Snelding explained that Chairman Kern asked questions about varying costs of equipment leases during the review of the Special Report: Comparison of Durango Hills and Veterans Memorial Leisure Service Centers CAO 1601-0304-02 at the January 20, 2004 Audit Committee meeting.

Mr. Cheng summarized discussion with YMCA management regarding the lease terms and review of lease agreements. It was confirmed that no tax was included in the leases. In fact, the YMCA of Southern Nevada is a 501(c)(3) not-for-profit organization and exempt from paying tax.

WORKMAN – Motion to accept the report – BROWN seconded the motion – UNANIMOUS

(10:32 – 10:34)

1-712

7. Discussion and possible action on the Sampling Disclaimer from Special Report: Comparison of Durango Hills and Veterans Memorial Leisure Service Centers CAO 1601-0304-02

Mr. Snelding indicated that during the review of the Special Report: Comparison of Durango Hills and Veterans Memorial Leisure Service Centers CAO 1601-0304-02 at the January 20, 2004 Audit Committee meeting, an assignment was made related to a Sampling Disclaimer. Chairman Kern questioned a disclaimer on the size of samples related to the report. That was reviewed by staff.

Mr. Cheng pointed out that the primary objectives of the survey were to determine: (1) the community's awareness of the Leisure Services Centers and (2) the customer satisfaction of the current users. Over 2,000 community residents were contacted during the survey. The margin of error was +/- 4.3 percentage points or a 95 percent probability that the "true" results would fall within that range if the entire population were sampled. In addition to the primary objectives, an attempt was made to explore reasons why certain community residents don't use their Community Leisure Service Center and dual center users' preference between the two Centers. Since only a small number, 20 to 30 respondents, answered questions related to these additional

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two areas, comparison based on this limited data cannot be taken as statistically accurate.

Chairman Kern verified that the 95 percent reliability referred to the two primary areas of inquiry. Councilman Weekly discussed with Mr. Snelding and Mr. Cheng that the survey pertained only to the two Centers and not to all City Leisure Centers.

Councilman Brown suggested that Leisure Services use this survey information as a base line and continue using the tool to create long-term statistics. Mr. Vincent advised that such an extension could impact the accuracy of the data obtained. Mr. Cheng assured the Committee that the Director of Leisure Services was very interested in the data and had obtained a copy of the full report.

WEEKLY - Motion to accept the report – WORKMAN seconded the motion – UNANIMOUS

(10:34 – 10:38)

1-746

8. Discussion and possible action on Investigative Report Petty Cash Theft Planning and Development Department CAO 2300-0304-03

Mr. Smith stated that during the audit of the City's petty cash funds, irregularities were identified with Planning's petty cash fund. Subsequently the custodian of the Department's petty cash fund, a Senior Management Analyst, confessed to the theft of funds to the Department Director. The City Manager's Office directed the Audit Office to work with the City Marshal's Office in investigating this theft. At the conclusion of the investigation, the former Senior Management Analyst was arrested and charged with theft.

The investigation determined that during the period January 1999 to March 2003, the Senior Management Analyst processed for reimbursement 77 identifiable falsified receipts totaling \$7,695 through the City Treasurer's Office. An additional 28 receipts totaling \$2,460 were highly suspect of being falsified, but substantiating their falsification was not possible.

As a result of this situation, staff made the following recommendations:

1. As identified in the citywide petty cash audit, the internal control environment surrounding petty cash was deficient creating the opportunity for the theft.
2. The previous and current Planning Directors failed in their oversight responsibility of the petty cash fund as follows:
 - a. The Directors were not reviewing and approving the petty cash expenditure receipts and replenishment forms.
 - b. The Sr. Management Analyst was permitted to approve the replenishment of her own petty cash fund.
 - c. No unannounced inspections of the petty cash handling activities were being conducted by the department directors or a designee as required by city policy.

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1. The City Treasurer's review for reasonableness of the petty cash replenishment forms and accompanying receipts was inadequate to identify the falsified receipts.

Mr. Smith noted that Planning, as well as some other Departments/Divisions, eliminated their petty cash fund and the Treasurer has revised their process. Member Workman discussed with Messrs. Snelding and Smith the last Planning audit and the failure to identify the ongoing theft over a four-year period.

Chairman Kern asked whether the Audit Office would be able to handle these additional responsibilities in addition to the office's other duties. Mr. Snelding responded that the situation is helped by the surprise audits being done by the Treasurer and Finance Department. As a result of those audits, cash is audited more often and people are more aware they will be caught. Mr. Vincent noted that historically the Treasurer oversees and handles enforcement regarding petty cash. There was a lack of enforcement which has been addressed by the new policies established as to roles and responsibilities. More Treasurer's staff has been assigned to petty cash reconciliation. The Auditor's office is notified of the Treasurer's and Finance's audits to avoid wasted effort.

Councilman Brown commended staff for the internal cooperation that is being taken to a new level. This situation is less about the money and more about protecting that money using the three-tiered system. Mr. Vincent added that the system provides the tools for raising the level of accountability with even less burden. Chairman Kern commented that greater director involvement will also help with the situation. His initial concern with the lack of director action has been resolved by the steps taken to clean up the process.

Deputy City Manager Fretwell outlined the work being done by the City Manager's office with the directors to raise awareness, encourage communication and timely redress regarding these types of situations. Chairman Kern stated that the Auditor's office is understaffed. When the Auditor and City become more efficient, with greater responsibility placed on directors, things are found and programs are properly implemented. He commended the City on the steps it has taken.

WORKMAN – Motion to accept the report – WEEKLY seconded the motion – UNANIMOUS

(10:38 – 10:52)

1-931

9. Discussion and possible action on Audit of Office of Business Development CAO 201-0304-04

Mr. Smith informed the Committee that the operational audit of the Office of Business Development (OBD) was identified in the audit plan approved last year. OBD is involved with marketing the benefits of development within the City, working with business owners and developers in their development efforts and projects, and supporting redevelopment and revitalization of the downtown and the redevelopment

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district. The operational audit included the examination of internal controls within the Office, existing policies and procedures, management reporting, contract administration, and the overall efficiency and effectiveness of operations. The scope did not include audits of individual projects or contracts in which OBD is involved. The audit identified a need for the following:

1. Formalized standard operating procedures
2. Greater consistency in how projects are administered and monitored.
3. Improved management reports to the CMO and Council.
4. Improved performance measures.
5. An annual marketing plan.
6. The evaluation of alternative contact and project administration database systems for use by the Office.
7. Detailed tracking of staff time incurred on significant marketing and development projects.
8. The creation of a service feedback program.
9. Formal feedback from other local economic development agencies on how to improve partnerships.
10. Further evaluation of how to successfully implement the Business and Retention program.
11. Evaluation of the appropriateness of OBD staff involvement in the Nuclear Waste Repository Program and the Super Speed Train Commission.

Management concurs with the recommendations and has noted that they intend to address many recommendations immediately or by this coming September or January. A couple of recommendations have already been identified as being complete. In conjunction with the audit follow-up program, the completeness of these audit recommendations, as well as others as they are completed, will be verified.

Councilman Brown expressed confusion regarding OBD's role, function and responsibilities and admitted that part of the confusion could be a result of City Council's lack of or conflicting directions regarding policy and intent. Jacque Hinchman, Acting Director, responded that OBD's purpose is to effect economic development and redevelopment. The premises of those are to increase the City's tax base and to increase the community's economic wealth through the attraction of new businesses and creation of new jobs, whether direct or secondary jobs. Through those efforts the community's level of wealth is attained. The efforts are split between an area not within a redevelopment area and those within a redevelopment area. A variety of projects within each discipline help achieve that community wealth. OBD has six full-time development officers, four administrative support staff, a development officer and administrative staff member assigned to redevelopment, a marketing manager, a vacant economic development manager position and a new director, Scott Adams.

Deputy City Manager Fretwell stressed that redevelopment is a significant component of OBD's mission. It was identified in the response given, but it is a very significant portion. Ms. Hinchman added that given the reduction in available land within the Valley, and particularly within the City, OBD's responsibilities will transition to primarily

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redevelopment. Councilman Brown noted that there is a critical need for this function within the City. The perception within the City and with outside partners in the community is that OBD is overstaffed and not effectively focused. The land opportunities are almost gone. The Las Vegas Technology Park and Spectrum Park are full. The cost to acquire land to create another business park on BLM land is \$50 to \$100 million range. That does force a reevaluation of the function.

Mr. Adams agreed that even on his second day on the job, strategic direction is key. Many of the things identified in the audit can be addressed by reorganization of the Department, which will also provide that strategic direction and focus. When land is limited, the highest and best use of existing assets is essential. The traditional economic development function in this City should focus on attracting new business and industry in downtown and equally work to keep existing businesses from moving away.

Councilman Brown pointed out that Mayor Goodman is both the greatest asset and biggest challenge. The feedback from community partners has raised concerns. As an example, only three of the projects credited to Nevada Development Authority were located within the City. Improving community relationships should be a City goal. Ms. Hinchman outlined efforts to cooperate with other entities and community partners, including utility companies and educational partners. In addition the policies and procedures OBD was tasked with creating have been completed. The policies and procedures includes a formal service feedback program and formal program to interact with other economic development agencies in the Valley. Councilman Brown commended OBD for the high marks it received for its cooperation.

Member Workman identified a new economic development organization, Nevada Economic Association, which just formed. The City has not had the depth of activity. Mr. Adams summarized his experience with networking with other community entities and partners. They serve an important role and his intent is to fully utilize their complimentary role in the process. Deputy City Manager Fretwell noted that the spring City Council retreat set economic development and redevelopment as one of the eight priorities. The goals associated with achieving those priorities have been submitted to Council and the next step is to present the associated business plans. The business plans will identify performance measures and key steps for the next year to eighteen months. That would be the ideal time for the Council to provide strategic direction. Management waited until the budget was complete before drafting the action plans for presentation to Council.

Councilman Weekly expressed his appreciation to Ms. Hinchman for her clarification of OBD's function. That function has been very scattered and it is hoped that the new director will find its place. Once the resources are identified and utilized, the sky is the limit as to City accomplishments. The Mayor has been able to market the City across the country. He is disappointed that the Enterprise Park remains incomplete and with vacancies. There are areas within Ward 5 which should be within the redevelopment area that have yet to be identified as such. He urged OBD to use the expertise from within and to better utilize existing staff.

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Councilman Brown discussed with Mr. Snelding that the new follow-up procedure is to track recommendations by projected completion dates. Staff will still produce an annual report, but follow-up will be continuous. Councilman Brown questioned whether this audit follow-up will be on the next meeting. Mr. Snelding suggested briefing as to completed and uncompleted recommendations and then those the Committee wished to discuss could be placed on the agenda. Chairman Kern and Councilman Brown strongly supported that suggestion. Mr. Snelding indicated that he would work on a design for the continuous reporting process and report back to the Committee at the next meeting. Chairman Kern complimented OBD staff on the aggressive follow-up on the recommendations.

WORKMAN - Motion to accept the report – TRONCOSO seconded the motion – UNANIMOUS with WEEKLY excused

(10:52 – 11:13)

1-1416

10. Discussion and possible action on 2002-2003 Annual Audit Recommendation Follow-up CAO 2600-0304-05

Mr. Snelding noted that concern was expressed at the last Audit Committee Meeting regarding the results of the annual follow-up and giving credit to departments for partially complete items where they had done all they could and the partially complete or no progress status was because of circumstances beyond the department's control. To answer this concern staff implemented a category called "System" in the partially complete and no progress classifications to note the appropriate status. Additionally, staff chose five issues considered "hot button" or "priority issues" to discuss in the Committee meeting.

Ms. Mocek summarized follow-up in accordance with Operating Instruction O.I. A 050 of the City Auditor's Office Operating Instructions Manual. The scope of the follow-up included a determination as to whether the audit recommendations had been implemented during the period subsequent to the release of each report. City management was asked to identify the status of each recommendation using the following classifications:

Complete meaning that the recommendation was implemented or some other action was taken to effectively correct the deficiency. No longer applicable designated when the recommendation no longer applies to the entity due to organizational changes, procedural changes or other related circumstances. The partially complete category for when the recommendation was implemented or some other action has been taken; however, the deficiency has not been corrected or only part of the recommendation has been implemented. No progress denoting that no action has been taken.

The methodology applied when management response indicated complete or no longer applicable was to interview the appropriate personnel as well as obtain and evaluate evidence supporting management's classification of the recommendation. When a recommendation was partially complete or no progress, staff interviewed

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management for clarification, when necessary, and identified obstacles preventing completion, such as systems implementation issues.

The current audit follow up consists of 220 audit recommendations. Ms. Mocek reviewed the presentation tables and charts within the report identifying 117 complete, 47 partially complete, 51 partially complete System, 4 no progress and 1 no progress System recommendations. Since inception, the Auditor's office has reviewed 758 recommendations consisting of 655 complete, 47 partially complete, 51 partially complete System, 4 no progress and 1 no progress System recommendations.

The objective was to determine progress made toward implementation of recommendation and review evidence of the completion. Much of the benefit from audit work is not in the findings reported or the recommendations made, but in their effective resolution. City management is responsible for addressing audit recommendations. This follow-up is a process to help management fulfill this responsibility. While City management has made progress toward the implementation of the audit recommendations contained in the various reports, additional efforts should be made in finalizing incomplete recommendations. Councilman Brown clarified with Ms. Mocek that the desire is for quicker implementation, especially where there are no system implementation barriers. The responsibility for pushing the finding is the Department head. The follow-up drives City management's status inquiry.

Mr. Cheng reviewed the 2002 audit of professional services policy and procedures. As a result the recommendation was once the policy and procedures were authorized, Purchasing formally would notify and require all City departments to adopt and comply with the approved policy and procedures. It was projected that this would be accomplished by June 30, 2002. During the follow-up last year, staff was advised that the draft policy and procedure for professional services contracting is complete and under review by Finance and Business Services Management. Upon concurrence, the policy will be submitted for review by the City Manager's Office and, upon approval, subsequently disseminated to City personnel. During this year's follow-up in April, the response was the same that City departments will be notified when policy and procedures are complete and approved.

Mr. Vincent expressed some embarrassment that management changes within Purchasing and Contracts resulted in the document not being completed. It has now been rewritten and submitted to the City Manager's office for dissemination. This will not come forward again. There has been great cooperation from the City Manager's office and other departments as the City operated as though the procedure were already adopted. Chairman Kern commented that it appeared to be close to closure. Mr. Vincent added that matrices have been shared with Departments.

Councilman Brown questioned how much money the City spends on professional services. Mr. Vincent guessed between \$50 to \$100 million range. The policy does not address architect and engineer contracts handled by Public Works pursuant to NRS. Adding those contract would increase the estimate.

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Councilman Brown expressed concern with the practice for letting professional services agreements and equity built into the system. Mr. Vincent outlined the history of letting contracts whereby professional service agreements were an exemption from the competition process. There was a culture that these agreements could be negotiated by individuals. That has changed. The policy changes now require the exemption criteria. City contracting professionals understand the City position that competition is a good thing and very rarely should be exempted. Staff now provides a value-added service versus the past when it simply was compliant with existing laws. The savings, added value and protections have been documented. The exception are those architect and engineer agreements exempted by NRS 338. NRS 338 prevents an entity from considering price when making the selection. Once selected, the price may be negotiated. Public Works, not Purchasing and Contracts, handles that lone exception. Councilman Brown commented that this is another example of how public practice has been changed during a new era. It sets a wonderful foundation, protects the public dollar and bring the process into the light. It still leaves his concern unanswered as to who controls the exception.

Mr. Snelding assured Councilman Brown that his staff reviewed how those agreements are handled, but not the specific agreements themselves. The procedures appeared to be fine and staff moved onto other areas. Councilman Brown clarified his directive that the contract awards be broken down by providers for report to the Committee and then the Committee may discuss the process. Mr. Vincent committed to provide the statistical information. Councilman Weekly supported the direction for both architectural contracts as well as construction contracts. Mr. Vincent explained that staff does not always have the composition of subcontracts on construction projects. Councilman Brown volunteered to work with the City Manager's office regarding the information prior to a report to the Committee and the Committee's determination whether to take the information to the next level.

Mr. Cheng outlined a past audit of professional services agreements. That audit identified that in 2002 Public Works had started to use a statement of qualification criteria, similar to the County's process. A team of four, including an outside individual, would compare qualifications against established criteria and rank service providers every two years. Contracts would then be awarded to providers on that list. Audit staff addressed the composition of the evaluation team as well as recommending minutes be taken and provided to the City Manager's office. Another recommendation was for a reconciliation of the work awarded at the end of the year and compare that to the ranking system. Staff confirmed during last year's follow-up that the recommendation had been implemented, but did not independently verify it had been implemented. That is something that staff could do in the future. Councilman Brown requested last year's report be provided to him. There does not appear to be anything wrong going on but, given the amount of money involved, this is an opportunity to verify the right thing is being done. Deputy City Manager Houchens offered to provide the report to all the members of the Committee.

Mr. Cheng reported on the 2001 audit on safety loss where the only issue was with the self-insurance fund. Staff recommended the City should require actuarial studies be undertaken for its self-insurance funds at least on a bi-annual basis. Management

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responded that based on the length of time required to obtain a vendor and complete the contracting process, the study could be underway by June, 2001. In the first follow-up, proposals were sought from four actuarial firms and one firm would be selected by May 1, 2002. Last year's response was essentially the same as to the four proposals and the selection. However, they stated the computer system was unable to provide the necessary data in the appropriate format. This April, staff was informed that a new computer system is expected by July 1, 2004, and the study will be completed at that time. Last week the response was that implementation is anticipated in the fourth quarter of 2004 and no study can be done until the system is up and running.

Mr. Vincent added that there are concerns with worker's compensation, especially as to presumptive claims for heart, lung and Hepatitis B for police and fire. Those claims are tracked manually and comprise 80 to 90% of total liability. The City, in partnership with four other Nevada cities, is preparing to engage Mercer to do an actuary study of just those claims because of the legislative issues surrounding those claims. Despite system problems, the City is moving forward on the significant claims. The City is also doing an annual actuary study for purposes of determining self-insured health benefit rates. His recommendation to Human Resources is this should be done on a bi-annual basis, even if only limited to heart and lung.

Mr. Cheng pointed out that the hope of staff is that where there are system issues, management will move more quickly. Mr. Vincent indicated that the existing City software program does not provide the level of detail required by the actuary. Mr. Marcella confirmed that the Pyramid software functionality is limited. The liability group has been investigating two pieces of software from two vendors. They are close to making a choice. The functionality of both will meet the requirements. From a tracking perspective, the software implementation will be very rapid after selection and establishing clearly defined business rules. Chairman Kern did not question implementation, but asked about the defining business rules statement. Mr. Marcella explained that there will need to be an alignment to the audit. The needs analysis has been completed and the business rules defined, but not matched to the software. Chairman Kern inquired as to the liability to the City for the unfunded portion. Mr. Vincent replied that without input from Human Resources, his supposition would be Oracle Ili is a major implementation. In addition, the new modules providing self-service may impact the projected date.

Mr. Smith stated that during the 1991 Open Schools Audit looked at the Open Schools - Open Doors Community Access Agreement between the City and Clark County School District (CCSD). That agreement allows the City to use CCSD facilities during non-school hours, primarily by Community Schools. The audit reviewed exhibits that identified the division of maintenance. Currently the Parks Maintenance Division maintains some of the sites because of the programming conducted at the sites. The audit recommended that the Agreement be formally amended to accurately reflect the division of responsibility for turf maintenance and the Agreement be reviewed for equity in maintenance responsibilities. It is important that Leisure Services be involved in that process. At that same time, it was recommended that other areas of the

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Agreement be reviewed by City Manager's office, Parks Maintenance and Leisure Services.

The initial response from management was that they would follow the recommendation. To date, the Agreement has not been amended. Letters of agreement or memoranda of understanding with CCSD have been created at some of the newer sites. There remain unresolved issues with maintenance and the level of maintenance by the City at the sites. In the follow-up, it is unclear as to who is responsible for the oversight of the Agreement and moving forward with amendments. Staff would encourage coordination with the City Manager's office, Leisure Services and Parks Maintenance to determine how to proceed with addressing the issues.

Councilman Brown pointed out that even though the dollar amount may not be significant, this issue has serious implications given water, programming and staffing impacts. Given the lack of follow-up, there is a question as to the purpose of the Agreement. CCSD is doing very positive things with their facilities and services. But they are also pushing more and more things to the City. The banning of dogs from CCSD property forced the City to build \$20 million in doggie parks. The inequity is becoming very obvious. The timing may be right to throw the Agreement out or bring it back to examine its practicality today. So many things have changed and the City is clearly doing more than was originally intended. It speaks to the public policy of the City's role in providing services. Councilman Weekly added the City's situation with lighting packages on CCSD property and maintenance thereof. Councilman Brown stressed that there is no bad guy in the relationship, but there are inefficiencies and redundancies.

Councilman Weekly expressed appreciation for the partnership with CCSD, but the City has gone beyond the call of duty with cleaning and maintaining facilities to meet the needs of the constituents. One concern is the City is spending significant money to maintain the facilities and the CCSD is then charging for programming. Who will be able to afford the facilities?

Chairman Kern suggested that the responsible party within the City should follow-up and then bring the matter back to City Council for resolution. Deputy City Manager Houchens explained that both the City and CCSD have been too busy with the programs to address utilizing various resources. That has made it difficult to draft different agreements for different facilities and situations. It may not be possible to create a single, comprehensive agreement. Since it crosses departmental lines, the responsibility belongs to the City Manager's office. Chairman Kern expressed appreciation that the City Manager's office would oversee the recommendations to resolution.

Larry Haugsness, Director of Field Operations, stated that there have been negotiations with CCSD where some headway has been made. Four years ago there were many handshake deals that have been formalized under John Black, Manager of Parks and Open Spaces, over the last two years. The City maintains many elementary schools despite the small programming return. Middle schools provide a more significant return. However, CCSD is not interested in amending the Agreement

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which is very much in their favor at this point. Instead the City trades things back and forth in writing whenever the opportunity for negotiation arises. Chairman Kern suggested greater departmental responsibility, including additional issues beyond the scope of the audit. It appears that the City Manager's office assumes that responsibility and a timeframe should be established. If there are bigger issues, perhaps the audit should be revisited. Mr. Snelding agreed that the scope is much bigger.

Mr. Cimo advised that the 2002 audit of Information Technology Security identified a recommendation that Information Technologies (IT) should develop and document a policy as to which positions should have root access and make changes as necessary related to the access. Prior to the meeting staff was given an unapproved draft policy which has not been through the process. The second recommendation was to follow City policy that passwords be changed every 90 days, which was implemented immediately following the audit. At this time IT simply needs to finalize the policy and send it through the process. He commended IT for reducing the 50 people with root access down to 10 with an ultimate goal to reduce the number to just a handful of people.

WORKMAN – Motion to accept the reports subject to the amendments as discussed under each individual audit follow-up – BROWN seconded the motion – UNANIMOUS

(11:13 – 12:03)
1-2288/2-1

CITIZENS PARTICIPATION:

None.

(12:03)
2-729

ADJOURNMENT:

The meeting adjourned at 12:03 p.m. (2-732)

RESPECTFULLY SUBMITTED,

Vicky Darling, Assistant Deputy City Clerk